

Newsletter

*Missouri Division of Credit Unions
Department of Economic Development*

Special points of interest:

- Credit union Commission meets
- Interest Rate Risk Management
- Update on Field of Membership
- Call Report information
- Survey information
- Staff announcement

Credit Union Commission meeting

The Credit Union Commission met January 13, 2005 by telephone conference call. Commission members in attendance were Pat Yokley, Bill Humpfer, Sharon Ichord, Pat Macdonald, Lori Levine and John Hanneke. Others attending were Paul Harper and Linda Manlove-Braxton, Office of the Missouri Attorney General, Roya Hough, Missouri Department of Health and Senior Services, Rosie Holub and Peggy Nalls Missouri Credit Union Association; Wade Nash, Missouri Bankers Association; Zurett Merridith, John P. Smith and Ken Bonnot, Division of Credit Unions.

The Commission approved the minutes of the October 19, 2004 and November 18, 2004 meetings.

The Commission received several reports:

- Update on the appeals of Director's decision for field of membership expansions
- Update on field of membership applications in process
- Condition Report, Missouri chartered credit unions
- Rule-Making in progress
- State and federal legislative update

A presentation on Legal Issues Related to Reporting Financial Abuse of the Elderly (MOSAFE) was made by Roya Hough. The Commission went on record as supporting the MOSAFE Project as set forth by the Missouri Department of Health and Senior Services. Training material for financial institutions should be available by May 2005.

The Commission's next meeting will be April 14, 2005 at 10:30 A.M.

Interest Rate Risk

As you are all aware the Federal Reserve has been raising interest rates. These increases in short-term rates have not been reflected in longer-term rates which has resulted in a flattening of the yield curve. At some point yields should return to a more "normal" relationship. Given the fact the Fed intends to keep tightening rates this should mean longer-term rates will also rise.

What this means for credit unions is the importance of pricing loans and shares will be increased. While every credit unions' circumstances are different, the importance of timely adjustments in interest and dividend rates cannot be stressed enough. Several credit unions are now facing a lack of liquidity that appears to be the result of keeping rates on shares and loans too low for too long. While hindsight is usually 20-20, it appears these credit unions should have raised loan rates earlier which would put them in a better position to meet increasing cost of funds. For credit unions that have longer term fixed rate loans on the books, they will find it increasingly difficult to attract member funds because they cannot absorb the higher cost members will demand for the use of their money.

In summation, timely pricing not only helps the credit union avoid liquidity problems and a weakened bottom line, it is also necessary to give all members the best and fairest circumstances whether they are borrowers or savers. If your credit union is experiencing liquidity problems please contact our office for suggested remedies.

Field of Membership Update

Cape Regional Credit Union submitted an application for those working or residing in Cape Girardeau County. The application was published in the December 1, 2004 Missouri Register. The Director approved the application and the decision will be published in the January 18, 2005 Missouri Register. A fifteen day calendar period must occur before the decision is final.

For an update on the status of appealed field of membership decisions, please submit the request in writing or by telephone to our office, or you may visit our website at www.cu.ded.mo.gov and click the link for "Field of Membership Appeals."

Call Reports

By now, your credit union should have received your December 31, 2004 call report. During this cycle, all call reports will be sent to the Jefferson City office upon completion.

Please ensure that the call report is completed in a timely and accurate manner. The deadline to our office is a post-marked date no later than January 25, 2005.

REMINDER!

***Call reports due
by January
25th.***

Credit Union Survey

As you may know, during 2004, we have begun surveying credit unions regarding their satisfaction with the division and their examination in the month after the completion of the examination.

Results thus far have shown that the credit unions we regulate are satisfied overall with how we are completing our duties.

Please take the time to complete these surveys. We use results to review how we are doing and how we can improve.

Staff announcements

Effective January 1, 2005, Lisa Henningsen has been promoted to Examiner Specialist. Lisa has 17 years of experience to the Division.



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We're on the web!

[Www.cu.ded.mo.gov](http://www.cu.ded.mo.gov)

Our *vision* is to foster an environment which ensures the availability of high quality financial products and services while preserving the integrity and safety of the credit union industry.

The Division of Credit Unions' *mission* is to effectively and efficiently supervise Missouri state chartered credit unions, to ensure compliance with applicable laws and safe and sound operations while remaining responsive to the changes in the economic, technological and political climates which may impact credit unions.

The mission will be accomplished by the following actions:

- Stimulate and contribute to an environment which allows credit unions to evolve and remain competitive;
- Ensure compliance with applicable laws which provide for fair and equitable treatment of all consumers;
- Encourage outstanding performance by division staff members by providing up to date equipment, training and education enhancement opportunities;
- Communicate to our customers our desire and willingness to offer a quality product;
- Develop an internal culture of quality which measures and promotes customer satisfaction;
- Encourage the education and fostering of financial awareness and responsibility among the members